

MINUTES

BUDGET & FINANCE COMMITTEE

CITY OF BRANSON, MISSOURI

January 29, 2015

1) Call to Order.

The meeting of the Budget & Finance Committee was held in the Municipal Courtroom of City Hall, Thursday, January 29, 2015 at 2:30 p.m. The meeting was called to order by Alderwoman Cris Bohinc.

2) Roll Call.

Members present: Alderman Patrick Parnell, Alderwoman Cris Bohinc, City Administrator Bill Malinen, Pamela Yancey and Rod Romine. Members absent: Mayor Raeanne Presley.

Also present: Finance Director Jamie Rouch, Stacy McAllister, Carl Garrett, and JoLyn Tate; Marc Mulherin and Daniel Armstrong of the Branson Convention Center; Kelsi Spurgeon of Columbia Capital Municipal Advisors; and Donald E. Wilbon of J.P. Morgan.

3) Branson Convention Center December 2014 Financials.

Marc Mulherin highlighted the Convention Center's December 2014 dashboard. Revenue exceeded budget by \$51,792 while expenses were \$26,483 less than budget. The convention center hosted a total of 22 event days in December, with an estimated attendance of 7,262 people. For January, Marc reported that the Branson Shootout Futsal Tournament was a huge success. There were a total of 36 teams that participated in the tournament, including 400 team members and an estimated attendance of 1,200 family, friends and spectators. Marc explained the difference in the pace comparison for December 2014 to December 2015 is largely due to the fact that most business the convention center receives for the month of December is almost exclusively Christmas parties. Marc concluded that 2015 is pacing about \$204,000 better than 2014.

4) Regular Reports.

a) Minutes of October 27, 2014.

Two changes were requested to the Minutes of October 27th. One change regarded an error on date to Item 4 A, as well as a correction to a misspelling in Item 7.

Alderman Patrick Parnell moved to accept the minutes of October 27, 2014 pending the requested changes, seconded by Rod Romine. Motion carried.

b) Monthly Sales & Tourism Tax Reports.

Carl gave a quick recap for 2014, as there were no Budget & Finance Committee meetings held in November or December. January receipts, which reflect November activity, were up 18.3% on sales tax. Year-end revenues, ending with December receipts, were up 3%, representing a \$313,000 increase. Carl explained that this is the best annual increase going back to 2006 when the Branson Landing opened. Tourism tax receipts were up 4.7% on an annual basis for 2014, which represents an almost \$525,000 increase from 2013. Carl ran a report for December activity, which was up 19%. He explained that in the past, November

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and December have seen a “slump” in sales and tourism tax receipts, but that was not repeated again this year. On the Breakdown by Business Classification report, all classification groups were up, though restaurants showed the smallest increase at a 1% increase for the year. At year end, 24 theaters were up and only 9 were down, despite the fact that 7 theaters were closed for the entire year.

The Rolling 12 shows that October was up 2.2% in sales tax revenues, and the only month that was negative so far in 2014 was September, which was down 4%. Carl pointed out that year to date, two TIF areas, Branson Hills and Branson Landing, have been relatively flat. He expects the Landing to increase in the coming year with the addition of new shops that are currently under construction and a new attraction that’s in the process of being built.

The Unrestricted Reports shows the monies that can be used for city activities after the TIF payments have been subtracted. Of the sales tax increase, about \$297,000 is spendable. He attributed most of the increase in unrestricted receipts to growth in areas of Branson that are not subject to TIFs, such as the Highway 76 Corridor. Carl concluded his report with reporting a growth of \$413,000 in unrestricted tourism tax receipts, marking the largest increase since 2007.

5) Review of Disbursements & Approval of Disbursements \$50,000 & over.

(October 11, 2014 – January 16, 2015).

Disbursements were acknowledged as presented. Rod Romine moved to accept the disbursements, seconded by Pamela Yancey. Motion carried.

6) Discussion of Investment Portfolio.

Jamie Rouch began discussion of the city’s investment portfolio by explaining that beginning last year, the city selected a new bank to perform investment services. In 2013, from April through December, the city only earned about \$39,000 in interest on investments. In an effort to increase income earned, the city began investing through the Bank of Oklahoma Securities Corporation (BOSC, Inc.). A base was established for general operating funds and the tourism fund to be kept as liquid cash in the bank for city expenses. Anything else is transferred to BOSC, Inc. to be invested. Jamie explained that the city has an established Investment Policy, which follows strict state and GFOA guidelines. As a result of this change, the city earned approximately \$140,000 between April and December 2014.

Jamie introduced Randall Boatman and Diana Youngdahl of Bank of Kansas City who were present to further discuss the city’s investments. He explained the first thing that he and his team worked on for the City of Branson was a cash flow analysis to see how much operating funds the city needs. After the cash flow analysis, he was able to see how far out the city’s investments could go. Mr. Boatman explained that the Investment Matrix is another way that he provides transparency to the City. The city’s yield curve is currently in between Flattening

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and Steepening. He explained convexity as what happens to the value of a bond when rates change. On a positively convexed bond, the value goes up more when rates go down. He concluded that for the most part, the portfolio won't be negatively convexed. Mr. Boatman gave an overview of the issuers that are currently in the city's portfolio. He explained that all issuers are guaranteed by the FDIC.

Mr. Boatman explained that BOSC, Inc. provides accounting, compliance, performance and risk monitoring modules by Clearwater that are used to track investments. Compliance is achieved through integration with the city's Investment Policy. He concluded his presentation by comparing the yield of our investments account at 1.265 through BOSC, Inc. as opposed to the Treasury yield that would only be around .65.

7) Discussion of Branson Landing 2005 A Bond Refinancing.

Jamie introduced Kelsi Spurgeon of Columbia Capital Management, who is the city's financial advisor. Kelsi then introduced Don Wilbon of JP Morgan who will serve as the underwriter for the transaction on the bond refinancing. Don explained that JP Morgan is the broker/dealer and will ultimately price the city's bond through the refinancing. He explained it's a very favorable market right now, so while it is not the best market to invest, the market is a good environment to borrow because of the low interest rates. Jamie noted that quarterly, she talks with Kelsi, and she's been watching this bond for several years to see if it would be feasible to refinance this bond with savings. Typically, she follows GFOA guidelines which suggest that it's not feasible to refinance any bonds that are below 3% as there is not much room for savings. Fortunately, this will be a savings quite larger than the 3% threshold.

Kelsi explained that in the late 2014, she saw that by refinancing this bond there could be savings between 3-5%. At that time, a team was developed that could execute the financing as close to the calling of the bond as possible, which is June 1, 2015. For this refinancing, an RFP was issued for underwriting processes, though in the past an underwriter has been selected through a different process. The RFP responses were very competitive, but JP Morgan had very low transaction fees per bond. Kelsi explained a rating call with S&P will be held on Monday, February 2.

Kelsi requested feedback on how the city would like to structure the savings that will be received through this transaction. First, the city's financing objectives were established to ensure there were positive savings in debt service each year, and to the extent possible that the savings were consistent each year. In addition, we wanted to provide the city with some upfront savings in FY 2015, due to events associated with the Landing over the last couple years that have put financial stress on the city over the past several years and to also take a look at projected revenues over the next 20 years. The last goal is to push some of the savings into the back end of this bond refunding, because in 2028 the TIF expires so the revenues available to repay debt service drop off dramatically. This type of restructuring prevents the city from being required to appropriate more money from other funds to repay debt service.

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Kelsi has provided three scenarios which provides a total budget savings and total present value savings for each scenario. She explained that though scenario 1 shows savings of approximately \$680,000, those funds must still go through the debt waterfall and is not instantly available for the city's use. She answered questions to explain that not all bonds are callable. Callable bonds are those that you can provide the investor of the bond the funds to pay off the bond before maturity. The only way to achieve true economic savings in a refunding is to refund bonds that are callable because you can pay off debt early and replace it with debt that has a lower interest payment. Kelsi explained that there is not much difference between Scenario 2 and 3, except that in scenario 3 the city would see more savings in 2015.

Kelsi addressed concern on how payment would occur on non-callable bonds. She explained that she would be taking bond proceeds and putting them into an escrow account that's pledged to the debt service on the old bonds. That escrow account pays the bondholders of the non-callable bonds.

Discussion was held on the various advantages for each of the three scenarios. Consensus was reached that scenario 3 would be the best option to offer both up front savings and savings in the future.

Rod Romine moved to recommend Scenario 3, seconded by Alderman Pat Parnell. Motion carried.

8) Review of Community Survey.

Economic Development Director Garrett Anderson explained the city sent out an RFP for a community survey. Two proposals were received, one from ETC Institute of Olathe, KS and the other from Avant Marketing Group of St. Louis, MO. Garrett and Human Resources Director Jan Fischer reviewed the proposals and graded each consultant on price, expertise and methodology. Garrett noted that ETC would also provide the survey in Spanish. ETC also offered to provide cross tabs for free, meaning that certain portions of the survey responses could be isolated. The final recommendation was to select ETC to conduct the survey.

Discussion was held regarding finding funds in the budget that can be used to complete the survey since it was not initially budgeted for 2015. Jamie explained that she has already almost found enough budgetary savings to cover the cost of the survey.

Pamela Yancey moved to recommend ETC to conduct the community survey, seconded by Alderman Patrick Parnell. Motion carried.

9) Discussion of Budget Amendments.

Jamie explained that due to the year-end process the Finance Department has identified some budget adjustments to the 2014 budget. She briefly discussed the causes for the adjustments for worker's comp insurance, general liability insurance, electricity, debt service and the Fire Department. Jamie explained that the Branson Shoppes debt service fund adjustment is due to additional payment being made due to additional funds received.

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A request was made to change the wording regarding the debt service fund adjustment to reflect that the extra payment is positive.

10) Finance Director's Report.

Jamie announced that a paperless option will soon be available for utility billings. This could potentially save \$3,000 or more each month on postage. In February, a notice will be sent to customers notifying them that the option is now available.

Jamie also updated the committee on priority based budgeting. Program costing has been completed by city staff and most of the work in February will be performed by the Center for Priority Based Budgeting. In March, committee reviews will begin. The Finance Department is working on a timeline showing what must be completed and by what date each item must be finished. Also included in the process will be the results of the community survey so that items important to the public are being responded to by the city.

11) Adjourn.

The meeting adjourned on a motion by Alderman Patrick Parnell, seconded by Bill Malinen. Motion carried.